

Veterans Benefits and Services

Federal Spending, Fiscal Years 1990-2003 (In billions of dollars)														
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Estimate 2003
Budget Authority (Discretionary)	13.0	14.1	15.3	16.2	17.2	17.6	17.8	18.9	18.9	19.3	20.9	22.5	24.0	24.1
Outlays														
Discretionary	13.0	13.8	15.1	15.8	16.7	17.4	17.6	18.6	18.5	19.4	20.8	22.4	24.1	24.2
Mandatory	<u>16.1</u>	<u>17.5</u>	<u>19.0</u>	<u>19.8</u>	<u>20.9</u>	<u>20.5</u>	<u>19.4</u>	<u>20.7</u>	<u>23.3</u>	<u>23.8</u>	<u>26.3</u>	<u>22.6</u>	<u>26.9</u>	<u>30.9</u>
Total	29.1	31.3	34.1	35.7	37.6	37.9	37.0	39.3	41.8	43.2	47.1	45.0	51.0	55.1
Memorandum:														
Annual Percentage Change in Discretionary Outlays	n.a.	5.9	9.8	4.7	5.7	4.3	1.0	5.7	-0.6	4.7	7.1	7.9	7.6	0.5
Note: n.a. = not applicable.														

700-01—Mandatory

Narrow the Eligibility for Veterans’ Disability Compensation to Include Only Veterans with High-Rated Disabilities

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Savings							
Budget authority	75	146	210	254	294	979	3,446
Outlays	73	140	209	250	281	953	3,395

Approximately 2.4 million veterans who have service-connected disabilities receive disability compensation benefits from the Department of Veterans Affairs (VA). The amount of compensation is based on a rating of an individual’s impairment that is intended to reflect the resulting reduction, on average, in earnings capacity. Veterans’ disability ratings range from zero to 100 percent (the most severe). Veterans who are unable to maintain gainful employment and who have ratings of at least 60 percent are eligible to be paid at the 100 percent rate. Veterans who have disabilities rated 30 percent or higher and who have dependent spouses, children, or parents are paid special allowances because of their dependents.

Each year, about 45,000 more veterans with disability ratings below 30 percent begin receiving compensation of \$70 to \$200 per month. This option would, for all future cases, narrow the eligibility for compensation to include only veterans with disability ratings equal to 30 percent or greater. That change would reduce federal outlays by \$953 million over the 2004-2008 period.

By not awarding new compensation to veterans with disability ratings below 30 percent, VA could concentrate spending on the most impaired veterans. Furthermore, the need for compensating the least impaired veterans may be lessening. Performance in civilian jobs depends less now on physical labor than it did when the disability ratings were originally determined, and improved reconstructive techniques are now available. So physical impairments rated below 30 percent may not substantively reduce veterans’ earnings. Examples of low-rated impairments include conditions such as mild arthritis, moderately flat feet, or amputation of part of a finger—conditions that would not preclude working in many occupations today.

However, veterans compensation could be viewed as career or lifetime indemnity payments that the federal government owes to people who were disabled to any degree while serving in the armed forces. Moreover, some disabled veterans might find it difficult to increase their working hours or otherwise make up for the loss of expected compensation payments.

RELATED OPTIONS: 700-02 and 700-05

700-02—Mandatory**Narrow the Eligibility for Veterans' Disability Compensation to Veterans Whose Disabilities Are Related to Their Military Duties**

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Savings							
Budget authority	20	63	97	120	157	456	1,670
Outlays	18	62	97	118	154	449	1,645

Veterans are eligible for disability compensation if they either receive or aggravate disabilities (excluding those resulting from willful misconduct) while in active-duty service. Veterans need not be performing military duties when those disabilities are incurred or made worse for the Department of Veterans Affairs (VA) to consider them service-connected; for example, disabilities incurred while military personnel are on leave qualify. The federal government also gives dependency and indemnity compensation awards to survivors when compensable disabilities cause or are related to a veteran's death.

According to data collected by VA, about 290,000 veterans received a total of approximately \$970 million in compensation payments in 2002 for disabilities that, according to the General Accounting Office, are generally neither caused nor aggravated by military service. Those diseases (excluding diabetes mellitus, which VA has since determined to be service-connected for certain veterans) are:

- Osteoarthritis,
- Chronic obstructive pulmonary disease (including chronic bronchitis and pulmonary emphysema),
- Arteriosclerotic heart disease,
- Crohn's disease,
- Hemorrhoids,
- Uterine fibroids, and
- Multiple sclerosis.

Ending new compensation benefits for veterans with only those seven diseases would save \$18 million in outlays in 2004 and \$449 million over the 2004-2008 period. Eliminating new compensation benefits for veterans whose compensable disabilities are also unrelated to military service would create significantly larger savings.

Opponents of this option could hold the view that veterans' compensation benefits are payments that the federal government owes to veterans who became disabled in any way during their service in the armed forces.

RELATED OPTIONS: 700-01 and 700-05

700-03—Mandatory

Increase Beneficiaries’ Cost Sharing for Care at Nursing Facilities Operated by the Department of Veterans Affairs

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	2004-2013
Savings							
Budget authority	214	221	229	236	241	1,141	2,476
Outlays	214	221	229	236	241	1,141	2,476

Veterans may receive long-term care in nursing homes operated by the Department of Veterans Affairs (VA), depending on the availability of resources. That care is rationed primarily on the basis of the nature of a disability and income. Under certain conditions, a veteran may receive care at VA’s expense in state-operated or privately run nursing facilities.

VA can charge copayments to veterans with no compensable service-connected disabilities and high enough income when they receive more than 21 days of care in VA-run nursing homes. In 2003, VA may collect up to \$50 million from providing such extended-care services, including nursing home care, the Congressional Budget Office estimates. VA can spend those collections, which are outside of the appropriation process. According to the General Accounting Office, state-operated nursing facilities for veterans and community long-term care facilities that treat veterans charge copayments that offset a larger share of their operating expenses than VA does. Those facilities recover as much as 43 percent through copayments. (Estate-recovery programs are another way that they offset costs.)

This option would authorize VA to revise its cost-sharing policies to recover more of the costs of providing care in VA nursing facilities. The department would be required to collect a minimum of 10 percent of its operating costs,

but it could determine what type of copayments to charge and who would pay them. For example, it could apply the copayment to a broader category of veterans or require veterans who make copayments to pay more. Recovering 10 percent of VA’s operating costs would save \$214 million in 2004 and about \$1.1 billion over five years. Achieving those savings would require depositing the receipts in the Treasury rather than allowing VA to spend them.

Proponents of this option would argue that veterans in VA nursing facilities are getting a far more generous benefit than similar veterans in non-VA facilities. Recovering more of the expense at VA facilities would make that benefit more equitable among veterans and different sites of care.

Opponents of this option would argue that beneficiaries in nursing facilities might be less able to make copayments than beneficiaries receiving other types of care. They would also argue that a policy allowing VA to charge veterans with service-connected disabilities would be inconsistent with the standard reflected by other medical benefits that those veterans received. In implementing this option, VA could continue to exempt those veterans, but it would have to charge high-income veterans without service-connected disabilities even more to achieve the 10 percent recovery level.

RELATED OPTION: 700-04

700-04—Discretionary

Establish a Realignment and Closure Commission for Department of Veterans Affairs Facilities

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	2004-2013
Costs (-) or Savings							
Budget authority	0	-98	-24	-112	43	-191	3,393
Outlays	0	-15	-35	-54	-53	-157	1,642

As many as one-third of the hospitals run by the Department of Veterans Affairs (VA) are in areas where there is a limited demand for their services or where other VA clinics and hospitals provide an alternative source of care. Those hospitals remain open, however, because political consensus is lacking to close or realign excess facilities. This option would establish a process for VA similar to the base realignment and closure process that has been used successfully to close nonessential facilities of the Department of Defense (DoD).

The Veterans Health Administration is reassessing its needs for facilities through the Capital Asset Realignment for Enhanced Services (CARES) program. That program examines who uses and who is projected to use VA facilities, defines market areas for serving those populations, and seeks to ensure an adequate supply and proper location of services to meet projected demand. The program’s mandate includes considering closing or merging facilities where there is excess capacity or redundancy.

Largely insulated from local political pressure, a realignment and closure commission for VA would facilitate the work of the CARES program by helping to develop the consensus needed to close hospitals and clinics with low demand and merge facilities that are located close together. The commission would also serve as arbiter among interest groups and would help clarify VA’s role and priorities in serving patients.

As with DoD’s process, this option would entail costs in the early years in order to conduct assessments and close facilities; however, over a 10-year period, it would yield net savings of \$1.6 billion in outlays.

Proponents of this option would assert that the current distribution of VA facilities is wasteful and inefficient, costing much more than is necessary to meet the demand of a few veterans for the convenience of having a VA facility nearby. The extension in recent years of health benefits to veterans who are neither disabled nor poor has created a surge in demand for VA’s health care that does not reflect a growth in the size or needs of the department’s core target groups—veterans disabled because of their military service and very poor veterans. The needs of those core groups might be served with a much smaller VA system, perhaps supplemented by a modest program to help pay for care from private providers when travel to a VA facility was burdensome for patients.

Opponents of this option would argue that an aggressive realignment and closure program would substantially reduce benefits for many veterans, particularly those who lived near facilities that closed. Moreover, opponents would point out, although VA will reimburse travel costs in many circumstances, the time and energy required to seek care at a distant facility is beyond many needy veterans.

700-05—Mandatory

Reduce Veterans’ Disability Compensation to Account for Social Security Disability Insurance Payments

(Millions of dollars)	2004	2005	2006	2007	2008	Total	
						2004-2008	2004-2013
Savings							
Budget authority	1,175	1,221	1,255	1,292	1,331	6,273	13,645
Outlays	1,175	1,221	1,255	1,292	1,331	6,273	13,645

Approximately 2.4 million veterans—about 1.6 million of whom are under age 65—receive compensation from the Department of Veterans Affairs (VA) for disabilities associated with their military service. The amount of compensation is based on a rating of an impairment’s average effect on a person’s earning ability. Additional allowances are paid to veterans whose disabilities are rated 30 percent or higher and who have dependent spouses, children, or parents.

Veterans with disabilities may also qualify for cash payments from other sources, including workers’ compensation, means-tested programs such as Supplemental Security Income; private disability insurance; and, for veterans under 65, Social Security’s Disability Insurance (DI) program. An estimated 110,000 veterans who receive disability compensation from VA also receive DI payments from the Social Security Administration. When Social Security beneficiaries are eligible for disability benefits from multiple sources, ceilings usually limit their combined disability benefits from public sources to 80 percent of their average earnings before they were disabled. Those DI payments—after any reduction, if applicable—are adjusted periodically for changes in the cost of living and the average wage level nationwide. Veterans’ compensation payments for disabilities, however, are not

included and do not apply toward the limit. Neither do means-tested benefits and certain benefits based on public employment.

This option would limit veterans’ disability compensation for individuals receiving both it and DI payments. Under the option, disability compensation would be reduced by the amount of the DI benefit. Applying that change to both current and future recipients of veterans’ compensation would affect an estimated 110,000 recipients in 2004, saving more than \$1 billion that year and an estimated \$6 billion over the 2004-2008 period. Applying that change only to veterans who were newly awarded compensation payments or DI payments would affect an estimated 2,200 recipients in 2004, saving \$23 million in outlays that year and an estimated \$615 million over the 2004-2008 period.

This option would eliminate duplicate payment of public compensation for a single disability. However, opponents could view this option as subjecting veterans’ disability benefits to a form of income testing (they are currently considered an entitlement). Moreover, to the extent that this option applied to current recipients of DI benefits, some disabled veterans would see their income drop.

RELATED OPTIONS: 700-01 and 700-02